

## Message Text

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PAGE 01 JAKART 02463 241249Z

44

ACTION EA-09

INFO OCT-01 ISO-00 EB-07 L-03 INR-07 /027 W

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R 240955Z FEB 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2857

AMEMBASSY WELLINGTON

C O N F I D E N T I A L JAKARTA 2463

STADIS////////////////////////////////////

WELLINGTON ALSO FOR ASSISTANT SEC. HABIB

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: GOI-CALTEX DISCUSSIONS

REF: STATE 39145; JAKARTA 2419

SUMMARY: CALTEX HAS NOW BEEN GIVEN CHOICE BETWEEN SIGN-  
ING AGREEMENT OR ACCEPTING UNILATERAL DECREASE ON ADDITIONAL  
\$1 PER BARREL. GOI APPARENTLY READY THEREAFTER TO  
MAKE ADJUSTMENTS EAST COAST AND CARIBBEAN DESTINATIONS.  
ATTENTION NOW TURNING TO PRODUCTION-SHARING PARTNERS.  
AT THIS POINT GOI NOT RECEPTIVE TO FURTHER OUTSIDE  
ADVICE. END SUMMARY.

1. ON FEBRUARY 18 MINISTER OF MINES SADLI INFORMED  
CALTEX REPRESENTATIVE MARTIN THAT GOI HAD NO CHOICE  
BUT TO SEEK ADDITIONAL \$1 PER BARREL FROM CALTEX. GOI  
HOPED CALTEX WOULD AGREE TO SIGN AGREEMENT. IF NOT  
GOI WOULD LEVY ADDITIONAL \$1 BY DECREE. MARTIN TOLD  
SADLI COMPANY WOULD NOT SIGN AGREEMENT AND MARTIN NOW  
EXPECTS GOVERNMENT DECREE. SADLI TOLD ME FEBRUARY 23,  
HOWEVER, HE WAS STILL HOPEFUL CALTEX PARENT REPRESENTA-  
TIVES WOULD RETURN AND SIGN AGREEMENT. SADLI SAID  
AGREEMENT COULD NOT COVER ANY EXCEPTIONS TO \$1 PER  
BARREL TAKE BUT AFTER SIGNING GOI WOULD AGREE TO SPECIAL  
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PAGE 02 JAKART 02463 241249Z

DISCOUNTS FOR DESTINATIONS TO EAST COAST AND CARIBBEAN

WHERE MARKET CONDITIONS WERE CLEARLY MARGINAL.

2. DURING COURSE OF LAST SEVERAL DAYS I HAVE EXPLORED POSSIBILITY OF GOI SEEKING FURTHER ADVICE FROM BERNARD BELL OR OTHER IMPARTIAL EXPERT. I FEAR TECHNOCRAT MINISTERS HAVE PUT THEMSELVES IN POLITICAL BOX IN WHICH THEIR PRESTIGE NOW RIDES ON ACHIEVING ADDITIONAL \$1 IN ACCORDANCE WITH PRESIDENTIAL DECISION OF JANUARY 7. TO SEEK OUTSIDE ADVICE NOW WOULD MAKE THEM VULNERABLE TO CHARGE, PARTICULARLY FROM PERTAMINA SIDE, THAT THEY HAD MADE MISTAKE. THEY STRONGLY HOPE CALTEX WILL AGREE TO SIGN AGREEMENT SO THAT IMPACT ON INVESTMENT CLIMATE OF UNILATERAL DECREE CAN BE AVOIDED. THEY ARE PREPARED TO PROCEED WITH DECREE IF THEY HAVE NO OTHER CHOICE. GENERAL IBNU'S RETURN TO JAKARTA ADDS FURTHER PRESSURE FOR TECHNOCRATS TO ACT.

3. JEAN BANETH, IBRD REPRESENTATIVE, TOLD ME INDONESIANS HAD "DISCUSSED" PROBLEM WITH HIM BUT HAD NOT REQUESTED ADVICE. HE AGREED THAT WHILE OIL COMPANIES COULD PROBABLY PAY GREATER SHARE TO INDONESIA, METHOD BY WHICH SHARE WAS BEING OBTAINED WAS NOT PARTICULARLY HELPFUL. IMF REPRESENTATIVE NEISS HAS NOT BEEN CONSULTED AND WHEN I TALKED TO HIM HE APPEARED SURPRISED THAT HIS MEMORANDUM HAD APPARENTLY FORMED BASIS FOR INDONESIAN ACTION. HE SAID MEMORANDUM HAD BEEN PREPARED ONLY TO SUGGEST BARGAINING POSITION.

4. IN ADDITION TO PRESSURE ON CALTEX, GOI OPENED DISCUSSIONS FEBRUARY 23 WITH PRODUCTION-SHARING COMPANIES BEGINNING WITH ARCO. (REFTEL). INTENTION IS TO REQUEST REVISION OF PRODUCTION-SHARING ARRANGEMENTS TO GIVE ADDITIONAL \$2.50 PER BARREN TO THE GOVERNMENT. ACCORDING TO SADLI, THIS FIGURE WOULD BE DERIVED BY TAKING \$2.00 FROM COST RECOVERY AND \$.50 FROM PROFIT SPLIT. SADLI HIMSELF ADMITS THIS MAY BE DIFFICULT FOR NEW AND SMALLER COMPANIES BUT INSISTS HE MUST FOLLOW DETAILS OF PRESIDENTIAL ORDER.

5. NO ONE IS TOTALLY HAPPY ABOUT COURSE OF PRESENT OIL  
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PAGE 03 JAKART 02463 241249Z

DISCUSSIONS. AT SAME TIME NO ONE WANTS TO GO BACK TO SUHARTO TO REQUEST HIM TO CHANGE HIS ORIGINAL INSTRUCTIONS. PERHAPS, IN LAST ANALYSIS, AFTER FURTHER CLIFFHANGING AND HARD BARGAINING SATISFACTORY RESOLUTION MAY BE REACHED. I DOUBT THAT THERE IS MUCH MORE WE CAN DO AT THIS TIME.

6. I WOULD HAVE NO OBJECTION TO EDMOND CONVEYING

FOREGOING TO BELL. BOTH MARTINAND TAHJA OF CALTEX  
WELCOMED IDEA OF ENLISTING IBRD INTEREST.  
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